

## Message Text

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ORIGIN AF-06

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DRAFTED BY AF/C:RRSTRAND:GJB

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R 140040Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: EFIN,CG

SUBJECT: SOTEXKI FINANCIAL PROBLEM

1. HOENOF CHASE MANHATTAN BANK AND MICHAEL LYALL OF CHASE INVESTMENT CORP. HAVE URGENTLY REQUESTED AMBASSY'S ASSISTANCE IN OBTAINING GOZ MINFIN SIGNATURE ON AMENDMENTS TO SOTEXKI LOAN AGREEMENT WHICH ARE NEEDED TO PERMIT NEW BORROWING THE COMPANY REQUIRES TO MEET COST OVERRUNS. FOLLOWING IS TEXT OF EXPLANATORY MESSAGE LYALL HAS PASSED DEPT. FOR TRANSMITTAL TO EMBASSY:

QTE CHASE INTERNATIONAL INVESTMENT CORPORATION (CIIP) IS A SHAREHOLDER SOCIETE TEXTILE DE KISANGANI (SOTEXKI). OTHER SHAREHOLDERS INCLUDE THE REPUBLIC OF ZAIRE THROUGH THE IGP (48 PERCENT), GROAPE BEAUJOLIN (FRANCE), MAURER TEXTILES (SWITZERLAND), SOCIETE GENERALE (FRANCE) AND SIFIDA (LUXEMBORG).

CIIP, SOCIETE GENERALE AND SIFIDA ARE ALSO LONG-TERM LENDERS TO THE COMPANY UNDER DEBENTURE LOAN AGREEMENT DATED 25 JULY 1972. THE LOAN IS FOR DOLLARS 2 1/2 MILLION.

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THE REPUBLIC OF ZAIRE IS GUARANTOR OF THIS LOAN AS WELL AS FOR SUPPLIERS CREDIT FOR APPROXIMATELY 16 MILLION DOLLARS ARRANGED WITH DUCROIX, COFACE, HERMES ETC. (IE, ON A GOVERNMENT TO GOVERNMENT BASIS). BECAUSE OF

SIGNIFICANT COST OVERRUNS DUE MAINLY TO THE DECLINE IN

VALUE OF THE ZAIRE VIS-A-VIS FRENCH FRANC, DEUTSCHEMARK, BELGIAN FRANC AND SWISS FRANC (THE CURRENCY OF THE SUPPLIERS' CREDIT) THE COMPANY IS EXPERIENCING A CASH SHORTAGE. IN ORDER FOR IT TO CONTINUE OPERATIONS IT HAS BECOME NECESSARY FOR IT TO USE SHORT-TERM LOCAL LINES OF CREDIT TOTALLING 1.4 MILLION ZAIRES FROM THE BANQUE DU PEUPLE AND BIAZ. THESE TWO BANKS (IN WHICH THE GOVERNMENT IS A SHAREHOLDER) HAVE REQUIRED MORTGAGES ON THE FIXED ASSETS OF THE COMPANY AND HAVE ASKED FOR THEIR IMMEDIATE GRANTING AND REGISTRATION.

CIIP, SOCIETE GENERALE AND SIFIDA (THE DEBENTURE HOLDERS) HAVE AGREED TO THE AMENDMENT OF CERTAIN COVENANTS IN THEIR LOAN AGREEMENT, PERMITTING INCREASED LEVELS OF BORROWING AND THE CREATION OF MORTGAGES UNDER CERTAIN CIRCUMSTANCES.

IN ORDER TO PROTECT THE LENDERS' POSSESSION UNDER THE REPUBLIC'S GUARANTEE, IT IS NECESSARY FOR THE REPUBLIC TO ALSO CONSENT TO THESE AMENDMENTS.

IN FACT, IF THE REPUBLIC DOES NOT AGREE THE COMPANY WILL SHORTLY RUN OUT OF CASH AND HAVE TO CEASE OPERATION; WHEREUPON THE LENDERS AND SUPPLIERS WOULD DEMAND REPAYMENT IN FOREIGN CURRENCIES FROM THE REPUBLIC AS GUARANTOR.

IT IS VITAL THAT THE REPUBLIC'S SIGNATURE BE OBTAINED BEFORE THE ANNUAL GENERAL MEETING OF SOTXKI TO BE HELD IN KINSHASA ON JUNE 20. REPRESENTATIVES OF DEBENTURE LENDERS WILL BE PRESENT WITH DUAL CAPACITY AS SHAREHOLDERS. I WILL BE ARRIVING IN KINSHASA AT 9:00 A.M. ON JUNE 19 AND WILL BE STAYING AT THE INTER-CONTINENTAL. WE SHOULD BE MOST GRATIFIED FOR ALL ASSISTANCE THAT THE EMBASSY CAN OFFER US IN OBTAINING LIMITED OFFICIAL USE

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THE SIGNATURE OF THE COMMISSAIRE D'ETAT AUX FINANCES. WE UNDERSTAND THAT THE INTERCESSION OF WHICHEVER PRESIDENTIAL COUNSELOR CURRENTLY OVERSEES THE SOTEXKI PROJECT FOR THE REPUBLIC WILL SPEED THINGS MIGHTILY.

I SHOULD POINT OUT THAT THIS HAS BEEN A PRESTIGE PROJECT FOR MOBUTU AND HAS VIRTUALLY CARRIED HIS PERSONAL IMPRIMATUR. WE, OF COURSE, WISH TO AVOID ANY ACTION THAT MIGHT EMBARRASS US-ZAIRE RELATIONS. MICHAEL LYALL, MANAGER, CHASE MANHATTAN INVESTMENT CORPORATION, 1 CHASE MANHATTAN PLAZA, N.Y. 10005, TEL. 212-552-4633 UNQTE.

2. LYALL WILL CALL ON ELLISON UPON ARRIVAL KINSHASA. KISSINGER

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<< END OF DOCUMENT >>

## Message Attributes

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